

Chapter 5 Financial Management

Section I General

5-1. Requirements

- a. FMS training is financed through payments in U.S. dollars.
- b. FMS training will be provided at no cost to the USG except as authorized by law. All costs, as specified in the AECA and DOD 7000.14-R, will be identified and included in tuition pricing.
- c. FMS training cannot commence until DFAS-DE-F has provided OA to the MILDEP. FMS CONUS training cannot begin until the MILDEP has authorized the SAO to issue an ITO.
- d. IMET is financed through annual congressional appropriations. Pricing will be as specified in the FAA and DOD 7000.14-R. Under IMET, an IMET order must be issued by DSCA.

5-2. Forfeiture charge

- a. Training Contract/Dedicated for International Customers-Once a contract is let or a quota is confirmed, a 100% fee will apply if the country fails to send a student to the training, unless the quota is filled by another student. Dedicated/contract training includes courses, which rely on contract support, and courses that are designated for international students only. The MILDEPs will identify those courses that are dedicated/contract training by message to the in-country U.S. Security Assistance Organization (SAO) on an annual basis.
- b. Training Contract for a Single International Customer-Under USG direct contract, all costs incurred up to the point of contract cancellation shall be paid. This could include total charges or partial charges. Each element of cost will be reviewed and negotiated for a final settlement cost by appropriate USG contracts personnel and the contractor.
- c. All Other Training-There will be a 50% charge for all confirmed training canceled or rescheduled with less than 60 days notification unless the quota is filled by another student. The charges will be applied to all confirmed training within the 60-day window. Additionally, a 50% charge will be applied to all training that falls within and outside the 60-day window if the training is part of a sequential pipeline that a student would attend as part of a complete curriculum. MILDEPs will identify training which is part of a sequential pipeline by message to the in-country U.S. Security Assistance Organization on an annual basis. Any cancellation or reschedule of training that was scheduled at the request of the country, without their required leadtime to cancel/reschedule similarly will incur a 50% charge.
- d. The date the request is received from the country by the SAO, or other duty appointed and recognized U.S. representative, will constitute the official notification date. The SAO must immediately comply with the cancellation procedure established by the MILDEP, indicating the date that formal cancellation was received from the country.
- e. Forfeiture charges will not be applied when cancellation is the fault of the USG, such as deletion of classes or rescheduling, nor will it be applied when the cancellation is due to unavoidable circumstances within the country, such as national disasters or airline strikes.
- f. The country will be provided training dates at least 90 days before the start date. Forfeiture charges will not be applied if country cancels or declines training and dates were provided less than 90 days in advance. However, if earlier training dates were provided at the request of the country, the charges will be apply.
- g. For Training Under IMET Only: When IMET appropriations do not materialize at the program CPD levels and DSCA directs countries to reduce their program, they are allowed 60 days to make the required adjustments without penalty for course cancellations. The 60-day adjustment period begins with State Department notification of IMET levels. Waiver of penalty charges under this paragraph does not apply to contract/dedicated or sequential training or to normal program adjustments to accommodate new courses during the same timeframe.
- h. The following guidelines apply to assess charges after arrival of the IMS at the first CONUS or oversea training activity.
 - (1) When the direct-entry IMS fail to achieve the prerequisite ECL on the CONUS course entry ECL test and when failure results in rescheduling or cancellation due to a language deficiency, charges will apply according to paragraph 5-2a through 5-2c. When IMS attending ELT at DLIELC fail to meet the language prerequisite of the follow-on course through no DLIELC recommendations, the country will be charged for the language training received and for training according to paragraph 5-2a through 5-2c.
 - (2) When the IMS is recalled by his or her country for official reasons or the IMS has disciplinary problems, illness, or disability incurred before departing country, assess forfeiture charges for the current course or phase and for the follow-on course according to paragraph 5-2a through 5-2c.
 - (3) When the IMS has an injury, illness incurred during training, or compassionate return, the country will be assessed forfeiture charges for all dedicated/contract/sequential training according to paragraph 5-2a through 5-2c. For

all other training courses, assess forfeiture charges for the course started but not completed; do not assess forfeiture charges for the follow-on course.

5-3. Tuition pricing

The tuition price as shown in the MASL is a unit cost per IMS. The types of cost (direct, indirect, incremental, and attrition, information program, and mailing fee) applicable to the different tuition rates are identified in DOD 7000.14-R. Regardless of funding source, the tuition price in effect at the time the student enters each course is charged.

Section II

International Military Education and Training

5-4. Funding

a. The State Department, in consultation with the Office of the Secretary of Defense (OSD), will determine IMET dollar levels for each IMET country. They will notify all concerned during the second quarter of each fiscal year (FY) of anticipated ceilings to be used for budget year (BY) programs. Actual annual IMET appropriations may be less than anticipated in the congressional presentation document (CPD); therefore, country allocation levels may be lower than the CPD country levels which were used previously for planning purposes. Consequently, training programs should be adjusted to reflect the allocation level. Finally, during the course of the year, the allocation levels may not change or may be changed upwards or downwards at end-year (July) depending on the country's ability to use funds. (See SAMM, chap 10)

b. Even though the military assistance appropriation is not part of the DOD budget, the program and its budgeting, funding, and financial administration are subject to the same controls and regulations as all DOD appropriations.

c. Within a country ceiling, U.S. funds are made available to defray costs of approved IMET lines in the FY program. Generally, these costs are initially financed by MILDEP appropriations with subsequent reimbursement from IMET funds. Some countries pay the cost of transportation and or living allowance. Care must be taken to identify such arrangements and assure the USG does not also pay these expenses.

d. IMET under Budget Project N10 commencing during October, November, and December may be programmed and funded in the previous year's IMETP under the fifth-quarter concept. Project N10 includes CONUS and outside CONUS (OCONUS) formal courses, OBT, OJT, and familiarization training. If this method is desired, IMSs reporting for initial training in October, November, and December will be programmed in the preceding FY; for example, IMSs reporting in October, November, and December of calendar year 2000 (FY 2001 could be programmed and financed with FY 2000 funds). Training requirements programmed in the current year with an availability of fifth quarter must be repriced as soon as BY course costs are known.

e. IMET funds must be obligated before the close of each FY. This includes funds for training programmed under the fifth-quarter concept and for IMSs who have follow-on training that will commence after the end of the current FY.

f. IMET funded MTTs must return to CONUS prior to end of FY unless waiver is granted by DSCA.

5-5. Travel and living allowance (TLA)

a. When TLA funds are received, obligation and funding authority is dispatched to the SAO by MILDEPs, and SAOs are authorized to issue travel and baggage authorization from country to the first training installation, unless the country pays its own travel costs. No round-trip tickets will be authorized or issued by the SAO.

b. Required TLA must be programmed; SAOs will then correctly prepare the ITO. Installation fiscal officers must disburse living allowances according to the ITO to preclude over obligation of funds with resultant fiscal violation.

c. Each original payment voucher for IMET IMSs for travel or living allowance will be certified by an authorized USG fiscal officer. The accounting data cited on each voucher will be derived from the IMS's ITO. A copy of each paid voucher, as well as a copy of each collection voucher, will be forwarded promptly to the activity maintaining the specified allotment records (accountable station). This is required to assure proper liquidation of the established obligation. Sufficient copies of each completed voucher will be prepared so as to give one copy to the IMS. The IMS will be instructed that vouchers are to be retained and presented to the next finance officer from whom he or she requests a payment.

d. The finance officer of the first training installation will prepare DD Form 1588 (Record of Travel Payments) to establish a continuous record of payments made to the IMS.

e. The IMS will be scheduled to depart the training location upon completion of training but in no case later than 4 days following graduation depending upon local installation out processing requirements and travel arrangements. If the student departs more than 4 days after graduation, the IMSO should notify the MILDEP field activity immediately. Living allowance in a training status will be programmed for planning purposes for 4 days following graduation. Payment of living allowance in a training status will continue until 2400 hours prior to the day the student departs the training installation.

f. Following completion of training, the finance officer at the last U.S. military installation where the IMS has been receiving training will compute the living allowance and, if authorized, travel mileage; the finance officer will then pay

the IMS (less any partial payments and living allowances previously paid) before the IMS's departure. For authorized delays incurred during the return travel to home country, the maximum lodging amounts found in the Joint Travel Regulation (JTR) will be used in lieu of actual lodging amounts. The finance officer will forward a copy of the paid voucher to the appropriate ITO issuing authority. Living allowances will be computed incrementally in accordance with the JTR when the IMS is in a travel status. A living allowance not to exceed constructive travel by common carrier will be allowed when the IMS is authorized to travel by privately owned conveyance.

g. If the IMS returns to his or her home country before collection of a TLA overpayment, no action will be taken against the IMS to effect collection. Underpayments will be resolved by the SAO in local currency.

h. Eligible enlisted IMSs will be furnished meals and quarters without charge to the IMSs. Meal costs and billeting fees will be reimbursed from IMET funds. Training installations, food service offices or personnel housing offices, as applicable, should promptly submit billings for reimbursement to appropriate MILDEP IMET fund administration offices.

(1) Officer IMSs personally pay custodial fees and meals.

(2) Training installations will be reimbursed from IMET funds for the costs of meals and quarters furnished without charge to eligible enlisted IMSs. Reimbursement to the training activity for meals and quarters provided will be accomplished by an SF 1080 (Voucher for Transfers Between Appropriations and or Funds) billing, charging the fund citation in the individual IMS's ITO. Training installations should ensure that billings for reimbursement are submitted promptly.

i. Installation checkout procedures will include payment for personal expense items before departure; for example, custodial fees, telephone bills, club dues. Bills arriving after departure of IMSs will be forwarded to the next training location or to the SAO for collection or resolution. (See para 10-20.)

Section III

Foreign Military Sales Training

5-6. General

a. Except as specifically authorized by statute, the law requires that the United States recoup all expenses from a country under FMS. Training provided to a foreign country that results in identifiable expenses to the USG is fully reimbursable from the purchaser country. Unless identifiable expenses are authorized through independent statutory or other legal authority, they are considered to be under the SATP and must be fully recouped.

b. Bilateral, combined, or multilateral exercises conducted to test and evaluate mutual capabilities do not require authorization or funding under the SATP. In the absence of independent, statutory, or other legal authority, costs of foreign participation in such exercises will not be directly paid for or reimbursed from DOD funds. DOD funds will bear only the costs of U.S. Armed Forces participation in such exercises. The costs of any U.S. support provided to the participating countries or international organizations for training exercises for defense service is pursuant to the AECA. The extension and receipt of services furnished as reciprocal international courtesies (10 USC 7227), when authorized under the general provisions of the DOD annual Appropriations Act, may serve as authority for bearing certain costs of providing these services to foreign participants when such services are offered to U.S. forces on a reciprocal basis.

c. In the absence of statutory or other legal authority to the contrary, visits of eligible IMSs to U.S. units that are conducted for training purposes will be fully reimbursable through FMS procedures. Visits by IMSs to U.S. units extended for periods beyond 3 working days at one location will be considered as training subject to reimbursement. Visits of 3 working days or less at one location will be considered as non-training and administered as a self-invited visit.

5-7. Funding

FMS training will not commence until the purchasing country has deposited sufficient funds against the appropriate FMS case, and DFAS-DE-F has issued obligation authority. The use of MILDEP-appropriated funds for training under FMS is not permitted by law.

Section IV

Department of the Army

5-8. Forfeiture charge

When SATFA recommends a CONUS IMS be recycled (set back) because of illness, injury, emergency leave, or academic failure, the training installation, in conjunction with SATFA, will determine the additional costs of the recycling action, and the additional course costs will be programmed and assessed. SATFA (ATFA-P) will assist activities in assessing the appropriate reimbursement pertaining to cancellation or rescheduling. No additional charges will be assessed for follow-on courses that are rescheduled or canceled because of a recycling action.

5-9. Tuition pricing and reporting

a. Defense Finance and Accounting Services, Denver Center (DFAS-DE-F) is responsible for establishing policy

and procedures for pricing the training tuition of IMSs in U.S. Army schools. (DFAS-IN 37-1 contains this information.)

b. Based on requirements to reply to periodic inquiries from higher authority and for input to the BY planning cycle, SATFA must maintain current cost data on all courses offered to IMSs.

c. Other training installations will provide SATFA tuition cost analysis within suspense date for all standard courses included in the MASL. Tuition data will be forwarded to SATFA—

(1) To correspond with the MASL update.

(2) When a tuition cost change is approved by the training installation that will reflect a MASL price change.

5-10. General funding

a. DFAS-DE-F will develop fiscal policies and related procedural guidance on the SATP.

b. AR 37-80, chapter 35 outlines accounting procedures for IMET and FMS.

c. In preparing unit budgets, course costs prepared for a BY will be used to compute the amount of anticipated reimbursements in the command operating budget (COB). The source of anticipated reimbursements for IMET IMSs will be shown in the COB as “IMET (other).” The source of anticipated reimbursement for FMS training will be shown in the COB as “Trust Fund.” Dollar amounts will be computed by multiplying the latest course cost times the number of anticipated IMSs. All anticipated reimbursements for IMSs will be shown in the COB as automatic reimbursements. Estimates on the number of IMSs for the new FY will be based on—

(1) Program guidance received from HQDA (SAUS-IA-DSA) or SATFA, if available.

(2) Actual number of IMSs trained in prior FYs.

(3) Command estimate of future IMS requirements, especially as pertains to courses for which no course cost has been established in the past.

5-11. IMET funding

a. IMET funds for Army school training are distributed by SATFA, as DA executive agent, to agencies as listed in DFAS-IN 37-1 from funds provided by DSCA.

b. To obtain reimbursement for IMET, the training activity submits a SF 1080 (with copy of IMS’s ITO) through funding channels. This is required so that IMET Budget Project N10 funds will be collected as reimbursement to the DA appropriations indicated in the approved course costs.

5-12. IMET travel and living allowance

Departments of the Navy and Air Force

5-13. Department of the Navy financial management

Follow chapter 5, sections I-III, for DON financial management. Coast Guard financial management, policy and procedures may differ (that is, forfeiture charge applies only when a Coast Guard quota is lost, regardless of when cancelled).

5-14. Air Force financial management

a. *IMET.* Generally, the cost of foreign training under IMET is initially financed by Air Force appropriated funds with subsequent reimbursement from IMET funds. Reimbursement includes indirect costs such as tuition, training aids, publications, and proficiency flying hours. Direct costs reimbursable from IMET funds are as follows—

(1) Travel.

(2) Living allowances.

(3) Certain medical and burial costs.

(4) IP activities.

(5) Extraordinary expenses.

(6) Travel and per diem of U.S. personnel in support of IMET.

b. *FMS.* FMS training is paid for by the recipient countries. Payment for FMS cases is generally on a cash-in-advance basis. Normally, AFSAT notifies DFAS of the costs of the country’s quarterly training requirements. DFAS-DE-F provides the purchasing country with a quarterly statement of charges for training. Training is considered “delivered” as of the date the IMS enters the course, or the date funds are released for an MTT.

c. *Inter-American Air Forces Academy (IAAFA).*

(1) The fixed operating costs of IAAFA are financed by Air force appropriated funds. IAAFA guest instructor costs are considered “fixed costs” when guest instructors are assigned to authorized USAF Unit Manning Document (UMD) positions. IAAFA guest instructor positions will be reflected on Part 4 of the UMD.

(2) IAAFA guest instructors will receive a living allowance, round trip transportation for guest instructor and

dependents; 2,000 pounds household good (HHG) allowance; furnishings for quarters according to Table of Allowance 414 (or increased HHG allowance); limit of \$2,000 per year medical coverage per guest instructor family.

(3) Administration and control of the guest instructor, USAF and parent country financial responsibilities, guest instructor benefits, and other pertinent information will be addressed in an attachment to the ITO for all guest instructors.

(4) Additions to IAAFA's curriculum will be processed according to paragraph 4-69.

d. Military Assistance Other Agency Funded (MAOAF). MAOAF training is provided without charge to the recipient country with subsequent reimbursement to the Air Force by the sponsoring U.S. agency. Reimbursement for training is accomplished by AFSAT/FM. All other costs are the responsibility of the sponsoring U.S. agency, the foreign student, or his or her government. USAF support to other U.S. government agencies is authorized by the U.S. Economy Act.

5-15. Penalties and adjustments

To avoid penalty charges, training must be canceled at least 60 days prior to the course start date. Training dates are provided to the SAO in the Standardized Training Listing or by message. The training dates are considered acceptable unless the SAO requests a change. If an IMS is eliminated before completing a course, tuition costs will be adjusted as follows—

- a.* Flying courses-pro-rated basis but not less than 50 percent.
- b.* Technical courses-pro-rated basis but not less than 50 percent.
- c.* Training costed on a per week basis-for the number of weeks training was received.

5-16. Transportation allowances

IMET IMSs are authorized living allowances as prescribed in their ITOs. (See chaps 7 and 8.)

5-17. Living allowances

IMET IMSs are authorized living allowances as prescribed in their ITOs. (See chaps 7 and 9.)

5-18. Subsistence

The food service officer will submit a certified invoice monthly (in triplicate) to AFSAT/RM through the IMSO for payment. This invoice will list the following data:

- a.* Names and nationalities of the IMSs.
- b.* Number and type of meals furnished.
- c.* Total amount.

5-19. Housing SATP personnel

a. For IMET enlisted personnel provided quarters, reimbursement for quarters is made as follows if these students are receiving a living allowance under IMET. The base billeting or housing officer must submit certified invoices monthly in three copies to the local AFO through the IMSO for payment. Invoices must list names, nationalities, number of days that quarters were furnished, and total amount of charges. A copy of each student's ITO must be furnished with the invoice. The AFO prepares a SF 1034 (Public Voucher for Purchases and Services other than Personal) upon receipt of the IMSO verification for reimbursement to the base billeting or housing office. The accounting classification cited in the ITOs is charged for these services.

b. Other IMET students and all FMS students assigned Government housing are required to pay the cost from personal funds.

c. The charge for Air Force unaccompanied personnel housing is the service fee. Rates for family housing are provided in the DOD 7000.14-R and AFI 32-9003.

5-20. Budget and funding

Procedures for SATP are contained in AFI 65-601V1 and AFR 170-3.

5-21. Costing

Course costing will be accomplished by the MAJCOMs IAW SAF/FMBIS directives and forwarded tuition prices to AFSAT/FM Comptroller for incorporation into the AFSAT data base. The SATP unit cost for each course or item will be listed in the MASL. For those items marked "EST" (estimate), separate pricing will be used as required.

5-22. Accounting and finance

Accounting, paying, collecting, and reporting will be as stated in the AFM 177-100 series of manuals, AFR 170-8, and

AFR 170-13. IMS's entitlement to expenses and eligibility such as travel, transportation, living allowances, subsistence, medical care, and burial will be as stated in chapters 8 and 9.

a. All AFOs or other offices that forward invoices to higher headquarters for payment will submit invoices on a controlled transmission basis.

b. The AFO or other office will include in each applicable invoice package a preaddressed acknowledgment form letter, AF Form 74 (Communication Status Notice/Request) that can be returned to the originating office. If acknowledgment is not received within 15 days after forwarding, the sending office will conduct a follow-up.

Chapter 6

Letters of Offer and Acceptance for the Sale of U.S. Military Training

Section I

Use and Preparation

6-1. General

The Letter of Offer and Acceptance (LOA), when signed, is an international binding agreement used by the U.S. Government (USG) to offer to sell defense articles and defense services to a foreign country or international organization. The LOA lists the items, services, estimated costs, terms, and conditions of the sale, and requires the signature of a representative of the foreign country or international organization to indicate acceptance.

a. Detailed guidance on the use and processing of Amendments and Modifications is in the SAMM, chapter 7.

b. Preparation of LOAs for training is discussed in paragraphs 6-2 through 6-9.

6-2. Purpose of the Letter of Offer and Acceptance (LOA)

The LOA will be used for all foreign military sales of defense articles and defense services, which includes training. Also, when authorized for release to the foreign purchaser, the LOA becomes the official offer by the USG.

a. The following denote acceptance on the part of the purchaser of the terms and conditions—

(1) Signature by an authorized representative of the purchasing country.

(2) Receipt of the initial deposit and copies of the LOA by DFAS-DE-F and the MILDEP.

b. Additional terms and conditions as may be appropriate for a particular sales case will be set forth in one or more attachments or continuation sheets to the LOA. All attachments, including notes, annexes, and appendices, are an integral part of the LOA.

6-3. LOA development

Development of an LOA may involve one or more of the statutes that authorize foreign military sales.

a. Those AECA and FAA sections that pertain to FMS training cases are as follows:

(1) *Section 21, AECA.* Sale of defense articles and services.

(2) *Section 22, AECA.* DOD procurement for sales.

(3) *Section 23, AECA.* DOD direct credit extended to a purchaser.

(4) *Section 24, AECA.* DOD guaranteed credit.

(5) *Section 503(a)(3), FAA.* Use of MAP funds for obligation authorities (OAs).

b. The SAMM, chapter 7, lists in detail the requirements for preparation of LOAs.

6-4. LOAs for training

a. Training in support of major equipment sales can include the development of operator, maintenance, logistical, and other support skills. In support of such sales, accurate and early planning must be accomplished to complete the following before equipment arrival—

(1) Conduct a training assessment survey.

(2) Determine both CONUS and OCONUS training requirements.

(3) Develop training Program and Availability (P&A) information for country approval.

(4) Request, process, and accept LOAs and complete financial requirements.

(5) Screen and select IMSs for required ELT and other preparatory training.

(6) Conduct training required to operate and maintain equipment.

b. Each LOA will include the date upon which the offer expires.

c. Requests by the purchaser for extensions to expiration dates must be in writing. These requests will be granted only after a full review by the preparing agency to ensure that all data included in the LOA remain valid. The purchaser will be advised by message of the new expiration date, along with the authorization to make a pen and ink